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TAGS PREL, EAID, KE, XW, ECON, EINV, ENRG, EFIN, PGOV, CH, PINR

SUBJECT: Chinese Engagement in Kenya

REF: 10 STATE 10152

CLASSIFIED BY: Christopher Walton, Economics Officer, State, Econ; REASON: 1.4(B), (C), (D)

1. (S/NF) Summary: China's engagement in Kenya continues to grow exponentially. China enjoys a large trade surplus with Kenya; exports increase 12. (U) China enjoys a large trade surplus with Kenya, exporting more than 30 times its imports. For 2008, China exported \$917 million of goods 13. (U) The CNOOC is drilling for oil in the Isiolo region of Kenya (see ref A). The exploratory well will cost \$26 million dollars and drill in 14. (U) The GOK is highly interested in developing a major port complex in Lamu, which has much greater potential as a deep water port than Mombasa 15. (SBU) China is currently developing a number of infrastructure projects in Kenya. Currently, China Wuyi, Syno Hydro, and China Overseas Engineering Corporation are working on a project in the basement of the NSI 16. (S/NF) In January 2010, the GOK received from the GOC via CATIC weapons, ammunition, supplies, and textiles for making uniforms in support of the GOC 17. (S/NF) As of late August 2009, XXXXXXXXXXXX awarded XXXXXXXXXXXX a contract to provide landline telephone monitoring equipment to XXXXXXXXXXXX 18. (S/NF) As of September 2008, XXXXXXXXXXXX As of early March 2009, Chinese technicians were working on a project in the basement of the NSI 19. (U) The GOK and GOC recently signed an Economic and Technical Cooperation Agreement. The agreement provides a \$7.3 million grant from China to the GOC 20. (U) China's companies working in Kenya tend to import a substantial number of Chinese workers. This importation of labor from China tends to increase the GOC's dependence on China 21. (U) The U.S. mission in Kenya has no current or pending development partnership arrangements with the GOC or any informal collaboration at the GOC 22. (SBU) Comment: Collaboration between the USG and China in Kenya should be approached cautiously as there appears to be little dovetailing